



March 24, 2015

ENGROSSED

SENATE BILL No. 123

DIGEST OF SB 123 (Updated March 23, 2015 12:12 pm - DI 77)

Citations Affected: IC 21-31; IC 21-44; IC 23-17.

Synopsis: Higher education. Permits the board of trustees of a state educational institution that has a research intensive campus to directly hold equity in a private entity under certain conditions. Revises the law setting forth the locations and names for centers for comprehensive medical education. Permits a public benefit corporation to merge with a state educational institution, without court approval, if the public benefit corporation is controlled by the state educational institution.

Effective: July 1, 2015.

Becker, Tomes

(HOUSE SPONSORS — SULLIVAN, MCNAMARA, RIECKEN,
WASHBURN, BACON)

January 6, 2015, read first time and referred to Committee on Education & Career Development.

January 22, 2015, amended, reported favorably — Do Pass.

January 27, 2015, read second time, ordered engrossed. Engrossed.

January 29, 2015, read third time, passed. Yeas 47, nays 0.

HOUSE ACTION

March 2, 2015, read first time and referred to Committee on Public Health.

March 23, 2015, amended, reported — Do Pass.

ES 123—LS 6451/DI 110



March 24, 2015

First Regular Session 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

ENGROSSED SENATE BILL No. 123

A BILL FOR AN ACT to amend the Indiana Code concerning higher education.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 21-31-2-14 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2015]: **Sec. 14. (a) The general assembly recognizes that:**
4 **(1) Article 11, Section 12 of the Constitution of the State of**
5 **Indiana provides that the state may not become a stockholder**
6 **in any corporation;**
7 **(2) state educational institutions receive a majority of their**
8 **funding from sources that are not public sources; and**
9 **(3) certain state educational institutions can better achieve**
10 **their public purposes by holding equity in private entities that**
11 **the institution controls and actively manages.**
12 **The general assembly declares that the holding of equity in a**
13 **private entity by a state educational institution as permitted by this**
14 **section complies with Article 11, Section 12 of the Constitution of**
15 **the State of Indiana.**
16 **(b) This section applies only to a state educational institution.**

ES 123—LS 6451/DI 110



(c) As used in this section, "eligible property" means any property received by the board of trustees of a state educational institution, other than:

- (1) state appropriations; or
- (2) other public money received through another state educational institution, a state agency, or a local government entity.

(d) The board of trustees of a state educational institution may use eligible property to directly hold equity in a private entity if:

- (1) in the judgment of the board of trustees, it is for the best interest of the state educational institution;
- (2) it results in a public or charitable purpose for the benefit or use of students of the state educational institution;
- (3) the private entity is controlled by and actively managed by the state educational institution; and
- (4) the equity is not held for speculation.

SECTION 2. IC 21-44-4-2, AS ADDED BY P.L.2-2007, SECTION 285, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. The Indiana statewide medical education system must include centers for comprehensive medical education established in cooperation with existing medical and educational institutions in the following:

- (1) Gary.
- (2) Fort Wayne.
- (3) **West Lafayette.**
- (4) Evansville.
- (5) South Bend.
- (6) Terre Haute.
- (7) Muncie.

SECTION 3. IC 21-44-4-3, AS ADDED BY P.L.2-2007, SECTION 285, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. The centers ~~are~~ **shall be known as** the following:

- (1) ~~The Gary center on the campus of Indiana University-Northwest shall be known as Indiana University School of Medicine-Northwest.~~ **Medicine-Northwest-Gary.**
- (2) ~~The Fort Wayne center on the campus of Indiana University-Purdue University Fort Wayne shall be known as Indiana University School of Medicine-Fort Wayne.~~
- (3) ~~The Lafayette center on the campus of Purdue University shall be known as Indiana University School of Medicine-Lafayette.~~ **Medicine-West Lafayette.**
- (4) ~~The Evansville center on the campus of the University of~~



~~Southern Indiana shall be known as~~ **Indiana** University School of Medicine-Evansville.

~~(5) The South Bend center on the campus of the University of Notre Dame shall be known as~~ Indiana University School of Medicine-South Bend.

~~(6) Indiana University School of Medicine-Terre Haute. (on the campus of Indiana State University).~~

~~(7) The Muncie center on the campus of Ball State University shall be known as~~ Indiana University School of Medicine-Muncie.

SECTION 4. IC 23-17-19-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. (a) Without the prior approval of the circuit court or superior court of the county where the corporation's principal office or, if the principal office is not located in Indiana, the corporation's registered office, is located in a proceeding that the attorney general has been given written notice, a public benefit or religious corporation may only merge with the following:

(1) A public benefit or religious corporation.

(2) A foreign corporation that would qualify under this article as a public benefit or religious corporation.

(3) A wholly-owned foreign or domestic business or mutual benefit corporation if the public benefit or religious corporation is the surviving corporation and continues to be a public benefit or religious corporation after the merger.

(4) A business or mutual benefit corporation if the following conditions are met:

(A) On or before the effective date of the merger, assets with a value equal to the greater of the fair market value of the net tangible and intangible assets, including goodwill, of the public benefit corporation or the fair market value of the public benefit corporation if the corporation were to be operated as a business concern are transferred or conveyed to a person who would have received the corporation's assets under IC 23-17-22-6(a)(5) and IC 23-17-22-6(a)(6) had the corporation dissolved.

(B) The business or mutual benefit corporation returns, transfers, or conveys any assets held by the business or mutual benefit corporation upon condition requiring return, transfer, or conveyance, that occurs by reason of the merger, in accordance with the condition.

(C) The merger is approved by a majority of directors of the public benefit or religious corporation who are not and will not become:



- (i) members in;
 - (ii) shareholders in; or
 - (iii) officers, employees, agents, or consultants of;
- the surviving corporation.

(D) The requirements of section 8 of this chapter are met.

(5) A state educational institution if it is a public benefit corporation and the public benefit corporation is controlled by the state educational institution before the merger.

(b) At least twenty (20) days before consummation of any merger of a public benefit corporation or a religious corporation under subsection (a)(4), notice, including a copy of the proposed plan of merger, must be delivered to the attorney general.

(c) Without the prior written consent of the attorney general or of the circuit court or superior court of the county where:

- (1) the corporation's principal office is located; or
- (2) if the principal office is not located in Indiana, the corporation's registered office is located;

in a proceeding in which the attorney general has been given notice, a member of a public benefit or religious corporation may not receive or keep anything as a result of a merger other than a membership or membership in the surviving public benefit or religious corporation. The court shall approve the transaction if the transaction is in the public interest.



COMMITTEE REPORT

Madam President: The Senate Committee on Education and Career Development, to which was referred Senate Bill No. 123, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, line 3, strike "Medicine-Northwest." and insert "**Medicine-Northwest-Gary.**".

and when so amended that said bill do pass.

(Reference is to SB 123 as introduced.)

KRUSE, Chairperson

Committee Vote: Yeas 10, Nays 0.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Public Health, to which was referred Senate Bill 123, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 21-31-2-14 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 14. (a) The general assembly recognizes that:**

- (1) Article 11, Section 12 of the Constitution of the State of Indiana provides that the state may not become a stockholder in any corporation;**
- (2) state educational institutions receive a majority of their funding from sources that are not public sources; and**
- (3) certain state educational institutions can better achieve their public purposes by holding equity in private entities that the institution controls and actively manages.**

The general assembly declares that the holding of equity in a private entity by a state educational institution as permitted by this section complies with Article 11, Section 12 of the Constitution of the State of Indiana.

(b) This section applies only to a state educational institution.

(c) As used in this section, "eligible property" means any



property received by the board of trustees of a state educational institution, other than:

- (1) state appropriations; or**
- (2) other public money received through another state educational institution, a state agency, or a local government entity.**

(d) The board of trustees of a state educational institution may use eligible property to directly hold equity in a private entity if:

- (1) in the judgment of the board of trustees, it is for the best interest of the state educational institution;**
- (2) it results in a public or charitable purpose for the benefit or use of students of the state educational institution;**
- (3) the private entity is controlled by and actively managed by the state educational institution; and**
- (4) the equity is not held for speculation."**

Page 2, after line 19, begin a new paragraph and insert:

"SECTION 4. IC 23-17-19-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. (a) Without the prior approval of the circuit court or superior court of the county where the corporation's principal office or, if the principal office is not located in Indiana, the corporation's registered office, is located in a proceeding that the attorney general has been given written notice, a public benefit or religious corporation may only merge with the following:

- (1) A public benefit or religious corporation.
- (2) A foreign corporation that would qualify under this article as a public benefit or religious corporation.
- (3) A wholly-owned foreign or domestic business or mutual benefit corporation if the public benefit or religious corporation is the surviving corporation and continues to be a public benefit or religious corporation after the merger.
- (4) A business or mutual benefit corporation if the following conditions are met:

(A) On or before the effective date of the merger, assets with a value equal to the greater of the fair market value of the net tangible and intangible assets, including goodwill, of the public benefit corporation or the fair market value of the public benefit corporation if the corporation were to be operated as a business concern are transferred or conveyed to a person who would have received the corporation's assets under IC 23-17-22-6(a)(5) and IC 23-17-22-6(a)(6) had the corporation dissolved.

(B) The business or mutual benefit corporation returns,



transfers, or conveys any assets held by the business or mutual benefit corporation upon condition requiring return, transfer, or conveyance, that occurs by reason of the merger, in accordance with the condition.

(C) The merger is approved by a majority of directors of the public benefit or religious corporation who are not and will not become:

- (i) members in;
 - (ii) shareholders in; or
 - (iii) officers, employees, agents, or consultants of;
- the surviving corporation.

(D) The requirements of section 8 of this chapter are met.

(5) A state educational institution if it is a public benefit corporation and the public benefit corporation is controlled by the state educational institution before the merger.

(b) At least twenty (20) days before consummation of any merger of a public benefit corporation or a religious corporation under subsection (a)(4), notice, including a copy of the proposed plan of merger, must be delivered to the attorney general.

(c) Without the prior written consent of the attorney general or of the circuit court or superior court of the county where:

- (1) the corporation's principal office is located; or
- (2) if the principal office is not located in Indiana, the corporation's registered office is located;

in a proceeding in which the attorney general has been given notice, a member of a public benefit or religious corporation may not receive or keep anything as a result of a merger other than a membership or membership in the surviving public benefit or religious corporation. The court shall approve the transaction if the transaction is in the public interest."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 123 as printed January 23, 2015.)

CLERE

Committee Vote: yeas 10, nays 0.

